

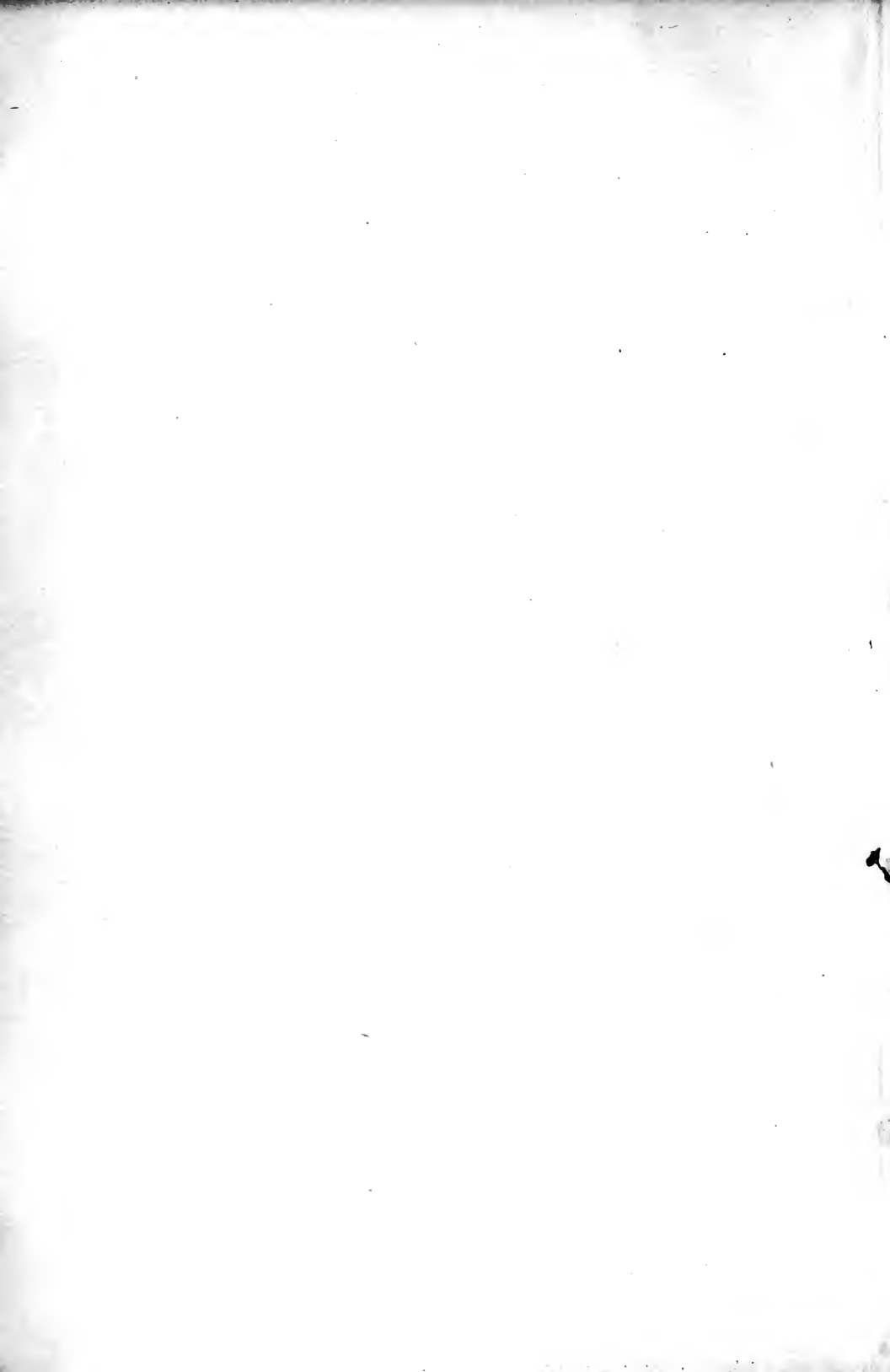


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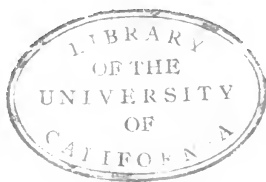
Arizona
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Arizona. Laws of the

CHAPTER 69—1912
(First Session)

Investment Company Law



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SESSION LAWS OF ARIZONA

Chapter 69.

AN ACT.

TO PROVIDE FOR THE REGULATION AND SUPERVISION OF INVESTMENT COMPANIES, AND THE INSPECTION AND INVESTIGATION OF PROPERTY, BOOKS, PAPERS, BUSINESS, METHODS, AND AFFAIRS, OF ANY CORPORATION WHOSE STOCK SHALL BE OFFERED FOR SALE TO THE PUBLIC, AND PROVIDING PENALTIES FOR THE VIOLATION THEREOF, WITH AN EMERGENCY CLAUSE.

Be it Enacted by the Legislature of the State of Arizona:

Sec. 1. Every corporation, every co-partnership or company and every association (other than State and National banks, and corporations not organized for pecuniary profit) organized, or which shall be organized, in this State, whether incorporated or unincorporated, which shall sell or negotiate for the sale of any stock, bonds, or other securities of any kind or character other than bonds of the United States, the State of Arizona bonds, or bonds of some county, city, town or school district therein, to any person or persons in the State of Arizona, other than those specifically exempted herein, shall be known for the purposes of this Act as a domestic investment company. Every such investment company organized in any other state, or government, or organized under the laws of any other state or government, shall be known for the purposes of this Act as a foreign investment company.

Sec. 2. Before offering for sale, or attempting to sell, any stocks, bonds, or other securities of any kind or character other than those specifically exempted in Sec. 1 of this Act, to any person or persons, or transacting business of any kind whatever in this State, excepting that of preparing the instruments hereinafter required, every such investment company, domestic or foreign, shall file in the office of the Corporation Commission of this State, the following instruments, to-wit: A statement showing in full detail the plan upon which it proposes to transact business; a copy of all contracts, bonds, or other instruments which it proposes to make with, or sell to, its subscribers; a statement which shall show the name and location of the

investment company, and an itemized account of its actual financial condition, and the amount of the property owned by it, and its liabilities, and such other information touching its affairs as the Corporation Commission may require.

If such investment company be a co-partnership or an unincorporated association, it shall also file with the Corporation Commission a copy of its articles of co-partnership and all such other papers pertaining to its organization as may be required by the Corporation Commission.

All such investment companies shall also file in the office of the Corporation Commission such other instruments and documents as may be required by the general laws of this State appertaining to corporations, both foreign and domestic, and such other papers and documents as the Corporation Commission may require.

Sec. 3. All of the above described instruments shall be verified by the oath of a member of the co-partnership or company, if it be a co-partnership or company; or by the oath of a duly authorized officer, if it be an incorporated or unincorporated association. All such papers, however, as are recorded or are on file in any public office, shall be further certified to by the officer of whose records or archives they form a part, as being correct copies of such records or archives.

Sec. 4. Every foreign investment company shall also file its written consent, irrevocable, in the office of the Corporation Commission, that actions may be commenced against it, in the proper court of any county of this State in which the cause of action may arise or in which the plaintiff may reside, by a service of process upon an agent, attorney, or other person, designated by such company, and residing within this State, and stipulating and agreeing that such service of process on the person so designated shall be taken and held, in all courts, to be as valid and binding as if due service had been made upon the company itself, according to the laws of this or any other State, and such instrument shall be authenticated by the seal of such foreign investment company and by the signature of a member of such co-partnership or company, if it be a co-partnership or company, or by the signature of the president and secretary of the incorporated or unincorporated association, if it be an incorporated or unincorporated association, and shall be accompanied by a duly certified copy of the order or resolution of the board of directors, trustees, or managers, of the corporation authorizing the said secretary and president to execute the same.

Sec. 5. It shall be the duty of the Corporation Commission to examine the statements and documents so filed, and if said Corporation Commission shall deem it advisable it shall make, or have made, a detailed examination of such investment company's affairs; such examination shall be at the expense of such investment company, as hereinafter provided; and if it finds that said investment company is solvent, that its articles of incorporation or association, its constitution and by-laws, its proposed plan of

business and proposed contract contains and provides for a fair, just and equitable plan for the transaction of business, and in its judgment promises a fair return on stocks, bonds, or other securities, by it offered for sale, the Corporation Commission shall issue to such investment company a statement reciting that such company has complied with the provisions of this Act, that the detailed information in regard to the company and its securities is on file in the office of the Corporation Commission for public inspection and information, that such investment company is permitted to do business in this State, and such statement shall also recite in bold type that the Corporation Commission in no wise recommends the stock, bonds or other securities to be offered for sale by such investment company. But if said Corporation Commission advises that such articles of incorporation or association, charter, constitution and by-laws, plan of business or proposed contract contain any provisions that are unfair, unjust, inequitable or oppressive to any class of contributors, or if it decides from its examination of the affairs of said investment company that the said investment company is not solvent and does not intend to do a fair and honest business, and in its judgment does not promise a fair return on the stocks, bonds or other securities by said investment company offered for sale, then the Corporation Commission shall notify such investment company in writing of its findings, and it shall be unlawful for such company to do any further business in the State until it shall so change its constitution and by-laws, articles of incorporation or association, its proposed plan of business, and proposed contract, and its general financial condition, in such manner as to satisfy the Corporation Commission that it is solvent, and its articles of incorporation or association, its constitution and by-laws, its proposed plan of business, and proposed contract, provided for a fair, just and equitable plan for the transaction of business and does, in the judgment of the Corporation Commission promise a fair return on stocks, bonds, or other securities by such investment company offered for sale; provided, that all expenses paid or incurred and all fees or charges received or collected for any examination made under the provisions of this section of this Act shall be reported in detail by the Corporation Commission and a full report and record thereof made in detail. All fees collected by the Corporation Commission under the provisions of this Act shall be paid into the State Treasury in the same manner as is provided by the general laws for the payment into the State Treasury of all fees collected by the Corporation Commission. *Amen deed*

Sec. 6. It shall be unlawful for any investment company, either as principal or agent, to transact any business, in form or character similar to that set forth in Sec. 1 of this Act, except as is provided in Sec. 2 of this Act, until it shall have filed the papers and instruments hereinbefore provided for. No amendment of the charter, articles of incorporation, constitution, and by-laws, of any such investment company shall become operative until a copy of the same has been filed with and approved by the Corporation Commission as provided in regard to the original filing and ap-

proval of charters, articles of incorporation, constitutions, and by-laws, nor shall it be lawful for any such investment company to transact business on any other plan than that set forth in the statements required to be filed by Sec. 2 of this Act, until a written statement showing in full detail the proposed new plan of transacting business and a copy of the proposed new contract shall have been filed with the Corporation Commission, in like manner as provided in regard to the original plan of business and proposed contract, and the consent of the Corporation Commission obtained as to making such proposed new plan of transacting business.

Sec. 7. Any investment company may appoint one or more agents, but no such agent shall do any business for said investment company in this State until he shall first register with the Corporation Commission as agent for such investment company, and for each of such registrations there shall be paid to the Corporation Commission the sum of One Dollar (\$1.00).

Such registration shall entitle such agent to represent said investment company as its agent until the first day of July following, unless said authority shall be sooner revoked by the Corporation Commission for cause appearing to it sufficient. Every investment company, domestic or foreign, shall file at the close of business on the first day of July of each year, and at such other times as required by the Corporation Commission, a statement verified by the oath of the co-partnership or company, if it be a co-partnership or company, or by the oath of a duly authorized officer, if it be an incorporated or unincorporated association, setting forth in such form as may be prescribed by the Corporation Commission, its (its) financial condition and the amount of its assets and liabilities, and furnishing such other information concerning its affairs, as said Corporation Commission may require. Any investment company failing to file its report at the close of business on the first day of July of each year within ten (10) days of that date, or failing to file any other or special report herein required within thirty (30) days after receipt of request or requisition therefor, shall forfeit its right to do business in this State. *Chas. H. J.*

Sec. 9. The general accounts of every investment company, domestic or foreign, doing business in this State, shall be kept in such manner and form as may be prescribed by the Corporation Commission and all books, papers, business, methods, and affairs of such investment company shall be at all times subject to inspection and investigation by said Corporation Commission, any member of said Commission, or any person thereto by said Commission authorized and designated for the purpose of enforcing the provisions of this Act. The Corporation Commission and the several members thereof, shall have the power of a court of general jurisdiction to enforce the attendance of witnesses and production of evidence by subpoena, attachment, and punishment, which said power shall extend throughout the State. Said Commission shall have power to take testimony under deposition either within or without the State.

Sec. 10. The Corporation Commission shall have general supervision and control, as provided by this Act, over any and all investment companies, domestic or foreign, doing business in this State, and all such investment companies shall be subject to examination by the Corporation Commission, or its duly authorized agents, at any time the Corporation Commission fee for each of such examinations of not to exceed Ten Dollars (\$10.00) for each day or fraction thereof plus the actual traveling and hotel expenses of said Commission, or any member thereof, or agent thereof, that it, or he, is absent from the Capitol Building for the purpose of making such examination, and the failure or refusal of any investment company to pay such fees upon the demand of the Corporation Commission, any Commissioner, or deputy or agent thereof, while making such examination, shall work a forfeiture of its right to do business in this State.

Sec. 11. Whenever it shall appear to the Corporation Commission that the assets of any investment company doing business in this State are impaired to the extent that such assets do not equal its liabilities, or that it is conducting its business in an unsafe, inequitable, or unauthorized manner, or is jeopardizing the interest of its stockholders or investors in stocks, bonds, or other securities, by it offered for sale, or whenever any investment company shall fail or refuse to file any papers, statements, or documents, required by this Act, without giving satisfactory reasons therefor that may be deemed sufficient by the Corporation Commission, said Corporation Commission shall at once communicate such facts to the Attorney General of the State who shall thereupon apply to the Supreme Court or to the superior court of the county where such investment company is located or is doing business, or to a judge of either of said courts for the appointment of a receiver to take charge of and wind up the business of such investment company, and if such fact or facts be made to appear it shall be sufficient evidence to authorize the appointment of a receiver and the making of such orders and decrees in such cases as equity may require.

Sec. 12. Any person who shall knowingly or wilfully subscribe to, or make, or cause to be made, any false statements or false entry in any book of such investment company, or exhibit any false papers with the intention of deceiving the Corporation Commission, or any Commissioner, or person authorized to examine into the affairs of such investment company, or shall make, or publish any false statement of the financial condition of such investment company, of the stocks, bonds, or other securities by it offered for sale, shall be deemed guilty of a felony, and upon conviction thereof shall be fined not less than Two Hundred Dollars (\$200.00) nor more than Five Hundred Dollars (\$500.00), and shall be imprisoned for not less than one (1) year nor more than ten (10) years in the State penitentiary.

Sec. 13. Any person or persons, agent or agents, who shall sell, or attempt to sell, any stocks, bonds, or other securities of any investment company, domestic or foreign, or the stocks, bonds or other securities by it

offered for sale, who have not complied with the provisions of this Act, or any investment company, domestic or foreign, which shall do any business or offer or attempt to do any business, except as provided in Sec. 2 of this Act, which shall not have complied with the provisions of this Act, or any agent who shall do or attempt to do any business for any investment company, domestic or foreign, in this State, which agent is not at the time duly registered and has not fully complied with the provisions of this Act, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be fined for each offense not less than One Hundred Dollars (\$100.00) nor more than Five Hundred Dollars (\$500.00), or by imprisonment in the county jail for not more than six (6) months, or by both such fine and imprisonment.

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Sec. 14. All fees for services rendered herein shall be collected by the Corporation Commission as provided by law, and by it shall be turned into the State Treasury, and the Corporation Commission is hereby authorized to appoint such clerks and deputies as are actually and absolutely necessary, to carry this Act into full force and effect. All moneys actually and necessarily paid out by the Corporation Commission to any clerk, deputy or agent, appointed under this Act, as salaries, or any money actually and necessarily paid out by the Corporation Commission, or by any clerk, agent or deputy, appointed under this Act, for travelling or incidental expenses shall be paid by the State Treasurer upon the State Auditor's warrants, to be issued upon sworn vouchers containing an itemized account of such salaries and expenses, and approved by the Corporation Commission.

Sec. 15. Whereas, the Constitution of the State of Arizona provides that the Corporation Commission, and the several members thereof, shall have power to inspect and investigate the property, books, papers, business, methods, and affairs of any corporation whose stock shall be offered for sale to the public, and,

Whereas, it is necessary that a law be immediately enacted to carry into effect this provision of the Constitution, and ,

Whereas, an immediate operation of the provisions of this Act are necessary for the public safety, an emergency is hereby declared, and this Act shall take effect and be in force from and after its passage and approval by the Governor, and is hereby exempt from the provisions of the referendum clause of the Constitution.

Approved May 18, 1912.





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